

# SERS-O-GRAM

A newsletter for members of the State Employees' Retirement System of Illinois

APRIL 2003

## ERI Wrap-Up

The second Early Retirement Incentive (ERI) for the State Employees' Retirement System passed last spring and became effective on August 1. This is the first ERI that SERS has had since 1991, when a total of 4,605 employees took advantage of the program.

This year over 11,100 employees participated in the ERI. Approximately 4,000 more members took the ERI than originally estimated. This volume of retirements has greatly affected the amount of retirement applications processed here at SERS.

As of December 31, 2002, 10,316 members filed their papers to participate in the ERI with effective dates ranging from August 1 to December 31, 2002, and 223 who were extended to April 30, 2003. Of these, 10,057 have received their first pension check.

There are also 811 members who elected Option #2-Buy & Quit of the ERI. To the right is a breakdown of ERI participants by agency.

Like all service organizations, our greatest asset is our employees. With a total agency staff of 82 full-time employees, 16 SERS employees (or 19.5%) took advantage of the ERI.

**Mike Mory** retired December 31, 2002 after serving 28 years as the Executive Secretary of SERS.

Also retiring under the ERI were **Terry Radliff**, Internal Auditor; **Bill Weir**, Division Manager of Administrative Services; **Gwen Hopkins**, Supervisor of the Files Unit; Accounting Division employees **Mike Belden** and

*(ERI continued on page 4)*

## ERI TOTALS BY AGENCY

	<i>Eligible for ERI Option 1</i>	<i>Elected ERI Option 1 &amp; 2</i>
Governor's Office	23	21
Lieutenant Governor's Office	0	1
Secretary of State	1,108	409
Office of the Comptroller	106	41
Treasurer's Office	30	12
Attorney General	106	42
State Board of Education	107	38
Courts	241	71
State Officers & General Assembly	127	79
Human Services	5,892	2,945
Agriculture	185	94
Natural Resources	589	265
Insurance	109	54
Labor	25	13
Children & Family Services	1,071	489
Auditor General	8	4
Financial Institutions	26	15
Public Health	416	207
State Police	710	334
Transportation	2,072	1,149
Professional Regulation	94	53
Revenue	881	437
Corrections	2,671	2,072
Civil Service Commission	3	1
Commerce Commission	79	43
Liquor Control Commission	13	2
Public Aid	907	422
Veteran Affairs	251	106
Military Affairs	89	51
CMS	398	211
Comm. & Community Affairs	151	78
Nuclear Safety	62	14
Employment Security	1,120	387
Lottery	85	43
EPA	310	99
Aging	47	24
Historic Preservation	76	33
Human Rights	37	13
Boards & Commissions	1,142	491

## 2002 ERI Statistics

June '02 Total Employees	83,011
Employees Eligible for ERI	21,367
Applications Received	10,316
Option 2 - Buy & Quits	811
Total ERI Participants	11,127
Key Employee Extensions	223

*The five retirement systems include the Teachers, State Universities, State Employees, Judges and General Assembly Retirement Systems.*

## Current Legislative Session

During the current legislative session, 32 bills have been introduced affecting SERS. However, the General Assembly has been preoccupied with the budget crisis and no SERS bills moved out of committee. We will report on the results in the next edition of the SERS-O-GRAM in August.

### **Pension Bond Legislation**

Both houses passed the governor's pension bond proposal, and should be signed into law by Governor Blagojevich. This legislation authorizes the selling of \$10 billion in general

obligation bonds for two purposes:

1. To make pension contributions of \$300 million for FY03, and \$1.7 billion for FY 04 to the five state-funded retirement systems.
2. The additional proceeds from the bonds will then be divided among the five systems to shore up their investments, reduce their unfunded liability and increase their investment earnings.

This is the first attempt by the State to specifically address the system's unfunded liability, currently over \$35 billion since the funding law became law in 1995.

## Benefiting from Uneasy Times

The **SERS-O-GRAM** is published by the **State Employees' Retirement System of Illinois**  
2101 S. Veterans Parkway  
Springfield, IL 62794-9255  
217-785-7444 TDD: 217-785-7218

Chicago Office:  
Michael Bilandic Building  
160 N. LaSalle St., Suite N725  
Chicago IL 60601 312-814-5853

The SRS Executive Secretary is  
**Robert V. Knox**

### **SRS BOARD OF TRUSTEES**

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**Caryl Wadley-Foy**,  
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The financial markets are on a rough ride due to the war in Iraq, but there are things you can do now to financially benefit when the conflict is over.

There are certain risks involved in moving money around before the war is resolved, but if you wait for all the answers first, it will be too late to do much about it.

**Stocks/Mutual Funds:** The recent Dow Jones 1,000-point war rally showed that when victory is certain, stocks will take off like a rocket. The rally may not be sustained, but the initial market run-up may be the biggest gains the market could see for the next couple of years.

Investors who remain on the sidelines will miss the easiest money to be made in a peace rally. If your Deferred Compensation returns have had you worried lately, now is the time to jump in and defer all you can.

**Debt & Savings:** For debtors, the best financial move is to lock in current low interest rates. Now is also the time to pay off high-interest rate

credit cards with either a home-equity loan or a home-equity line of credit. Borrowers who need several years to pay off their debt are better off with a fixed-rate home-equity loan. Plus, you can write off home-equity loans on your tax return.

**Housing:** Waffling on buying a home or refinancing your current home? Now is the time to pull the trigger; it's probably the last opportunity for historic low interest rates. Interest rates shouldn't fall much lower, but when the war ends, mortgage rates should climb too.



*Help us in welcoming our new Field Services staff. Mandy Beedie (left) will cover the state south of I-80 and east of U.S. 51. Dave Thompson is the new manager replacing John Sowinski. The MRR program will be run by Marlys Vala (right) replacing Lee Brown.*

**Statements of Plan Net Assets**  
**June 30, 2002 and 2001**

	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
Cash	\$ 97,562,972	\$ 103,210,369
Receivables	34,549,705	30,349,595
Investments (at fair value)	7,543,749,485	8,144,981,332
Equipment (net of acc. depr.)	<u>3,227,188</u>	<u>3,310,764</u>
<b>Total Assets</b>	<b>\$ 7,679,089,350</b>	<b>\$ 8,281,852,060</b>
<b>Total Liabilities</b>	<b>\$ (5,196,659)</b>	<b>\$ (5,190,708)</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 7,673,892,691</b>	<b>\$ 8,276,661,352</b>

**Statements of Changes in Plan Net Assets**  
**June 30, 2002 and 2001**

	<b>2002</b>	<b>2001</b>
<b>REVENUES</b>		
Contributions:		
Members	\$ 196,915,424	\$ 173,778,661
Employer	386,116,583	366,028,937
<b>Total Contributions</b>	<b>\$ 583,032,007</b>	<b>\$ 539,807,598</b>
<b>Investment Income(Loss)</b>	<b>\$ (546,111,398)</b>	<b>\$ (612,302,652)</b>
<b>TOTAL REVENUES</b>	<b>\$ 36,920,609</b>	<b>\$ (72,495,054)</b>
<b>EXPENSES</b>		
Benefits	\$ 617,918,487	\$ 537,591,724
Refunds <i>(including transfers)</i>	14,147,218	17,012,242
Administrative	<u>7,623,565</u>	<u>7,140,280</u>
<b>TOTAL EXPENSES</b>	<b>\$ 639,689,270</b>	<b>\$ 561,744,246</b>
<b>Net (Decrease)</b>	<b>(602,768,661)</b>	<b>(634,239,300)</b>
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	8,276,661,352	8,910,900,652
<b>End of Year</b>	<b>\$ 7,673,892,691</b>	<b>\$ 8,276,661,352</b>

## **FY02 Financial Highlights**

### **OPERATIONS**

Participant and employer contributions both rose during FY02. Higher salaries and increased contribution rates were primarily responsible for the rise.

Benefit payments also went up substantially as a result of legislative changes which increased the retirement benefit formulas for both general and alternative formula employees.

### **INVESTMENTS**

By state law, SERS' investment function is managed by the Illinois State Board of Investment (ISBI) along with the Judges' and General Assembly Retirement Systems. All investments are accounted for in a commingled ISBI fund.

For the second consecutive year, the ISBI reported negative overall investment returns reflecting the depressed stock market environment, both in the U.S. and abroad.

While the ISBI fund didn't meet its long-term objective of exceeding the 8.5% assumed actuarial interest rate, their return was within the policy-weighted benchmark return, which lost (6.9)%.

### **FUNDING**

The most recent actuarial valuation shows the total SERS actuarial liability was \$14.3 billion. The amount of liabilities exceeded net assets by \$6.6 billion on June 30, 2002, compared to an excess of \$4.3 billion on June 30, 2001.

The funded status of SERS on June 30, 2002 decreased to 53.7% from 65.8% on June 30, 2001.

*(ERI continued from page 1)*

**Marlene Schultz**, the Field Services Division Manager, **John Sowinski**, and two Field Services staff, **Fred Fliege** and **Lee Brown**.

Also retiring was the receptionist in our Chicago Office, **Diantha Landowski**, **Julie Sinkus** from the Service and Refunds Division; **Deby Barron** and **Cathy Beard** from the Disability Section; **Karen Cunningham**, Supervisor of the Vouchering Section; **Pat Boyd**, Supervisor of the Insurance Section, and **Judy Watson** from the Group Insurance Section.

All of these employees represent hundreds of years of experience and knowledge in the pension industry and will be greatly missed.

As a result of Mike Mory's retirement, at the October 16, 2002 Board of Trustees meeting, **Robert Knox** was unanimously appointed as the new Executive Secretary of SERS, effective January 1, 2003.

Bob has over 28 years of knowledge and experience with SERS and has served as the Associate Executive Secretary for the last 19 years.

## 2003 Preretirement Workshops

### INVESTING IN YOUR FUTURE

*For employees under age 45*

May 6	Chicago
May 20	Urbana
Jun. 3	Rockford
Oct. 7	Tinley Park
Oct. 21	Collinsville
Oct. 28	Chicago

### EDUCATION FOR TOMORROW'S CHOICES

*For employees 5-15 years  
from retirement*

May 14 & 15	DeKalb
May 28 & 29	Mt. Vernon
Jun. 4 & 5	Rockford
Jun. 11 & 12	Springfield
Jul. 23 & 24	Peoria
Aug 13 & 14	Collinsville
Aug. 20 & 21	Chicago
Sep. 10 & 11	Springfield
Oct 15 & 16	Springfield
Oct. 22 & 23	Chicago
Nov. 12 & 13	Springfield
Nov. 19 & 20	Chicago & Peoria

### COUNTDOWN TO RETIREMENT

*For employees 3 years  
from retirement*

May 29	Rockford & Springfield
Jun. 12	Matteson
Jun. 19	Springfield
Jul. 17	Springfield
Jul. 24	Urbana
Aug. 7	Springfield
Aug. 21	Springfield
Aug. 28	Collinsville
Sep. 4	Joliet
Sep. 16	Schaumburg
Sep. 18	Springfield
Sep. 25	Carbondale & Chicago
Sep. 30	Gurnee
Oct. 2	Peoria
Oct. 16	Matteson
Oct. 23	Springfield
Oct. 30	Chicago
Nov. 13	Chicago & Mt. Vernon
Nov. 20	Springfield

